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## EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET WASHINGTON, D.C. 20503

SPECIAL

April 14, 1983

## LEGISLATIVE REFERRAL MEMORANDUM

General Counsel

83-03146

TO:

Legislative Liaison Officer

Department of Defense Department of Commerce

Department of Health and Human Services

Department of Labor Department of State

Department of Transportation Office of Personnel Management Central Intelligence Agency

SUBJECT: Administration draft bill "To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed ASAP, no later than Wednesday, April 20. Telephone comments acceptable.

Called 4-19-83 + Dard we had no rejections & would be sending a cletter to that effect also pointed out technical enors.

Enclosures

Naomi R. Sweeney for Assistant Director for Legislative Reference STAT

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Honorable Thomas P. O'Neill, Jr. Speaker of the House of Representatives Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for consideration by the Congress is a bill "To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes." I urge prompt action by the Congress on this key proposal in the President's fiscal year 1984 Budget.

This draft bill would implement the Budget recommendation that there be a one-year freeze on cost-of-living adjustments (COLAs) in Federal employee retirement and disability programs. It would omit the fiscal year 1984 COLAs authorized under provisions of law governing the civil service, Foreign Service, and Central Intelligence Agency retirement systems; military retired and retainer pay and survivor benefits; and the Federal employee workers' compensation program. Subsequent COLAs under these laws would be computed in accordance with the provisions of present law.

The proposals included in the enclosed draft bill are an important element of the President's plan to reduce projected budget deficits to a level consistent with long-term economic recovery. As part of a general policy of postponing deferrable expenditures temporarily, the Federal Government, as an employer,

must take the same step that countless private businesses workers have been forced to take in order to forestall insolvency: deferral of raises for current and retired workers until financial/conditions improve. The COLA freeze proposed in the draft bill would reduce outlays by an estimated \$\_\_\_\_\_\_ billion over the fiscal years 1984-1988.

The budget impact for each program is as follows:

(Outlays; in billions of dollars)

1984 1985 1986 1987 1988 Total

Civil Service
Retirement

Foreign Service
Retirement

Central Intelligence
Agency retirement

Military retirement

Workers' compensation (FECA)

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I recommend early and favorable action by the Congress on this feature of the President's fiscal policy to help reduce the growth of Federal spending and enhance the prospects for sustained economic recovery.

Sincerely,

David A. Stockman Director

Enclosure

## A BILL

To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that (a) the cost-of-living increase in the Government employee injury compensation benefit or retirement annuity or retired or retainer pay or survivor or disability annuity prescribed by the provisions of law set out in subsection (b) of this section, that would otherwise take effect during the fiscal year ending September 30, 1984, shall not be payable during that year or at any time thereafter.

- (b) For the purpose of this section, the term "cost-of-living increase in the Government employee injury compensation benefit or retirement annuity or retired or retainer pay or survivor or disability annuity" means the increase under--
  - (1) section 8340(b) of title 5, United States Code;
  - (2) section 8146a of title 5, United States Code;
  - (3) section 826 of the Foreign Service Act of 1980;

- (4) section 291 of the Central Intelligence Agency Act of
  1946 for Certain Employees (50 U.S.C. 403 note);
- (5) sections 1401(b), 1434(e) and 1451(c) of title 10, United States Code, and section 4 of P.L. 92-425 and section 5 of P.L. 96-402;
- (6) section 301(b)(1) of the Omnibus Budget Reconciliation Act of 1982, P.L. 97-253.

## **EXPLANATION**

Subsection (a) provides that the scheduled fiscal year 1984 cost-of-living (COLA) increases in programs cited in subsection (b) will not take place then or later. Subsection (b) lists the provisions of law under which such increases would otherwise take place under the Civil Service, Central Intelligency Agency, Foreign Service, and military retirement programs, and the Federal Employees Compensation Act (workers' compensation); it also cites the section of the Omnibus Budget Reconciliation Act of 1982 which postponed by one month the scheduled COLA increases for Federal retirement programs in each of the fiscal years 1983 through 1985.